

Message Text

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ACTION AF-06

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E.O. 11652: N/A

TAGS: ETRD, CG

SUBJECT: GOZ ORDERS REDUCTION IN WHOLESALE AND RETAIL
MARKUPS ON IMPORTED ITEMS

REF: KINSHASA 2527

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SUMMARY: THE GOZ HAS ORDERED REDUCTIONS IN WHOLESALE AND
RETAIL MARKUPS FOR A BROAD RANGE OF IMPORTED ITEMS. THE
REDUCTIONS VARY BETWEEN 10 PER CENT AND 30 PER CENT OF THE
RATES IN OFFICIAL USE BUT LARGELY IGNORED SINCE 1969.

A FEW ITEMS, PRIMARILY ESSENTIAL FOODSTUFFS, REMAIN AT
THEIR FORMER, RELATIVELY LOW, LEVELS. PRESUMABLY THIS
EDICT CONCERNING PRICE MARKUPS IS A FIRST STEP TOWARDS THE
IMPLEMENTATION OF A PRICE POLICY. SEVERE MEASURES WILL BE
NECESSARY TO IMPLEMENT THE NEW MARKUP RESTRICTIONS. END
SUMMARY.

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2. DECREE ISSUED BY STATE COMMISSIONER FOR THE NATIONAL ECONOMY MURAIRI MARCH 30, 1976, INFORMED WHOLE-SALERS AND RETAILERS OF NEW LEGAL MARKUPS FOR IMPORTED GOODS. ALLOWABLE COSTS REMAINED THE SAME UNDER THE NEW DECREE AS THEY HAD BEEN SINCE LATE 1969; MARKUPS WERE REDUCED 10-33 PER CENT, DEPENDING ON THE PRODUCT, WITH THE EXCEPTION OF SELECTED BASIC FOODSTUFFS. A SAMPLE OF LEGAL MARKUPS FOLLOWS:

PRODUCT	WHOLESALEERS' PERCENTAGE		RETAILERS' PERCENTAGE	
	NEW	OLD	NEW	OLD
COOKING OIL	10	12	12	15
FISH, SMOKED OR DRIED	10	12	18	20
RICE	10	10	12	15
POWDERED MILK	10	10	12	15
SALT (BOXED)	10	12	12	15
SUGAR	10	10	12	15
WHEAT FLOUR	10	10	10	10
MACHINERY	--	--	20	22
MOTORS	--	--	20	22
TIRES	10	15	10	15
INDUSTRIAL RAW MATERIALS	15	16	18	20

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3. COMMENT: THE NEW WHOLESALE AND RETAIL MARGINS APPEAR TO BE THE FIRST STAGE IN THE IMPLEMENTATION OF GOZ'S PRICE POLICY AS PART OF THE STABILIZATION PROGRAM. ALTHOUGH WHOLESALEERS AND RETAILERS MAY RECEIVE A SMALLER MARGIN, THEY WILL PRESUMABLY GROSS LARGER AMOUNTS SINCE THE ZAIRE COST OF IMPORTED GOODS WILL CLIMB BY ROUGHLY 70 PER CENT MINIMUM. FURTHERMORE, IN VIEW OF ONLY LIMITED COMPETITION AND GENERAL SHORTAGE OF IMPORTED GOODS, PROFIT MARGIN SYSTEM WILL HAVE BUILT-IN INCENTIVE FOR IMPORTER TO BUY LIMITED OFFICIAL USE

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MOST EXPENSIVE OF AVAILABLE ITEMS IN ORDER TO INCREASE ABSOLUTE SIZE OF HIS PROFIT. WE WILL BE INTERESTED TO SEE WHETHER THESE MARGINS WILL BE HELD, GIVEN THE FOREIGN TRADE SECTOR'S FORMIDABLE REPUTATION FOR MARCHING TO ITS OWN TUNE. DESPITE PERIODIC ENTREATIES, THE FORMER MARKUPS WERE LARGELY IGNORED BY WHOLESALEERS AND RETAILERS. END COMMENT. ENDLIMITED OFFICIAL USE.
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